UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
LIMITED

DP/1993/BFC/L.2/Add.3
14 June 1993

ORIGINAL: ENGLISH

BUDGETARY AND FINANCE COMMITTEE
Fortieth session
1-18 June 1993, New York
Item 3 (b) of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

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CHAPTER III. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

B. Revised budget estimates for 1992-1993 and budget estimates for 1994-1995

1. For its consideration of agenda item 3 (b), the Budgetary and Finance Committee had before it the following documents:

Revised budget estimates for the 1992-1993 biennium and budget estimates for the biennium 1994-1995 (DP/1993/45), and the supplementary tables to document DP/1993/45 contained in document DP/1993/BFC/CRP.1;

Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/46).

2. The Administrator introduced the item by stressing that in times of increased competition for scarce resources, there was an urgent need for recommitment to development activities. In such times, UNDP had a special responsibility to ensure that budgets were carefully conceived and managed. It was against that background that the Administrator summarized the important elements in the budget proposals as follows.

Revised estimates for 1992-1993

3. The final revised estimates amounted to $447.6 million (net) for UNDP core activities and reflected a net decrease of $1.5 million. No volume adjustments were introduced with regard to the core budget.

4. The revised estimates also included a volume reduction of $438,000 relating to the application of the staffing formula for the United Nations Volunteers (UNV). A volume increase of $526,000 relating to the core OPS budget and $3.2 million for Office for Project Services (OPS) extrabudgetary activities were also included. The increases related to programme growth and were fully funded within earned income.

Revised estimates for 1994-1995

5. With regard to the 1994-1995 estimates, the Administrator stressed the five principle objectives of the budget strategy:

(a) Cost containment, bearing in mind overall resource constraints;

(b) The critical importance of maintaining the global network of field offices;

(c) Management initiatives designed to rationalize business functions, delegate authority, enhance accountability and thereby strengthen the management capacity of the field network;

(d) Selective response to priority areas, specifically the follow-up to the United Nations Conference on Environment and Development (UNCED) and the HIV/AIDS pandemic;

(e) Support for the overall restructuring initiatives of the Secretary-General.

6. Bearing those objectives in mind and taking into account that programme delivery would remain essentially level in 1994-1995 as compared to 1992-1993, the Administrator proposed a net volume reduction in the core budget of $46.5 million comprised of $41.8 million in volume reductions and $4.7 million in increased government local office cost contributions.

7. The net effect of the proposed reductions was a net 1994-1995 core budget that was $300,000 over the approved 1992-1993 core budget and some $500,000 under the original 1992-1993 budget. The proposals would result in the elimination of 360 core posts. Specifically, the posts affected were: 19 Professional posts at headquarters; 39 General Service posts at headquarters; 50 international Professional posts in the field; 46 field-service level posts in the field; and 206 local General Service posts in the field. Included in the reduction, were 2 at the Assistant Secretary-General level and 10 (nine net) posts at the D-2 level.

8. Although no special funding allocations were being requested for the transition into the new biennium, the Administrator did request some flexibility

with regard to the use of accrued savings in 1992/1993. It was noted that ACABQ had no objection to the proposal.

9. The Administrator drew the attention of the Committee to two of his cost-reduction initiatives. The first was the restructuring of the Bureau of Finance and Administration (BFA) and the second concerned the regional service centres.

10. With regard to the UNDP presence in Europe and the Commonwealth of Independent States, the Administrator's proposal of $4.8 million reflected an adjustment of the original base of 18 months to 24 months; a volume increase for an additional Professional post in Uzbekistan; and an adjustment for inflation.

11. In response to Governing Council decision 92/37 of 26 May 1992, in which the Council requested the Administrator to review a number of aspects of the UNDP field office structure, the Administrator stated that UNDP remained firmly convinced that the field office network represented an invaluable and cost-effective asset to the whole of the United Nations operational system and was an essential vehicle for the implementation of General Assembly resolution 47/199.

12. The issue of non-indicative planning figure (IPF) related field office workload was the subject of a detailed empirical study undertaken in 1992. The results indicated that some 29 per cent of field office workload was related to support to the operational activities of the United Nations. As was discussed at the Governing Council at its thirty-ninth session, that amount was currently presented as a separate line in the appropriation decision.

13. Turning to programme development activities, the Administrator outlined his proposals with regard to the establishment of networks of local national officers in the areas of sustainable development and HIV/AIDS. The proposals were in direct response to General Assembly resolution 47/199 and the Administrator emphasized that the total amount of $2.8 million was modest in nature and, in his view, merited favourable consideration.

14. The Administrator gave an update on the status of the OPS budget for 1992-1993 and 1994-1995. He referred to the report on the task force on the transfer of OPS from UNDP to the United Nations. One of the recommendations included in the report was that the OPS budget would continue to be submitted, in future by the Under Secretary-General for the Department for Development Support and Management Services, to the Budgetary and Finance Committee of the Governing Council. The Administrator stated that it would be for the Governing Council and the General Assembly to agree or disagree with the proposal.

15. To be consistent with the recommendations of the task force, it was necessary to ensure that the 1994-1995 OPS budget be submitted to the Governing Council at its current session. That was being done in full cooperation with the United Nations on the understanding that the United Nations would be in a position to submit revised estimates for OPS in 1994. That was consistent with past practice, which permitted the presentation of revised OPS budget estimates on an annual basis in order to take into account the latest income projections.

Summary of discussions in the Committee

16. Many delegations welcomed the Administrator's comprehensive and transparent budget presentation and voiced their appreciation and support for the thrust of the budget strategy for the 1994-1995 biennium and the resultant volume reductions. Delegations expressed their appreciation for the report of ACABQ. There were certain areas of the budget where delegations required further information or clarification. Some delegations suggested that the budget document could be further improved by the inclusion of a concise statement of the Programme's current and projected income as recommended by ACABQ. One delegation suggested the inclusion of overall expenditure data and the consideration of a greater consistency of formatting between budget documents and financial reports.

Revised estimates for 1992-1993

17. With regard to the revised 1992-1993 estimates, general support was given to the Administrator's proposals. A few delegations supported the ACABQ opinion that the current structure of UNV be reviewed to provide the capacity to respond to the expanded role of UNV in peace-keeping and humanitarian assistance. One member noted and another welcomed the progress made in streamlining the administrative functions of the UNV programme. Another member raised the issue of whether the administrative costs of UNV should continue to be charged to UNDP general resources.

18. A number of delegations noted that the budgetary proposals for OPS should be viewed in the overall context of the Governing Council's review of the proposed transfer of OPS to the United Nations Secretariat. Some delegations stressed the importance of maintaining the self-financing principle and enhancing the efficiency of OPS operations.

Estimates for 1994-1995

19. A number of delegations expressed support for the establishment of the new Office of Budget and Management as well as for the regional service centre concept.

20. One delegation indicated that it would be in a better position to assess the budgetary proposals for the Humanitarian Programme after receiving further clarification as to the staffing and other expenditures related to the Department of Humanitarian Affairs and the comprehensive plan called for in Governing Council decision 92/20. The delegation stated that the budgetary presentation of the Humanitarian Programme lacked clarity with regard to staffing proposals and sources of financing.

21. Some delegations stated that the United Nations and UNDP had a role to play in supporting the Baltic countries, the Commonwealth of Independent States and other countries in transition in Europe. Some delegations felt, however, that the administrative costs should be kept to a minimum in view of overall limited resources. In order to be able to make an informed decision on the proposals, delegations requested more information on the mobilization of extrabudgetary resources for the financing of field offices, the involvement of other United Nations organizations in the establishment of common United Nations offices in

the region, the reimbursement of IPF resources used and the allocation of resources to countries with the lowest relative level of per capita gross national product (GNP) and the highest level of programme resources.

22. One delegation stated that the absence of information in table V.8 of document DP/1993/45 on cost estimates and sources of financing for the Russian Federation should not prejudge possible future arrangements with regard to the establishment of an integrated office of the United Nations. Another delegation provided information on the work undertaken by the newly established office in Latvia.

23. One delegation believed that further reductions could be made in senior management positions in view of the number of officials at the Director level and above as compared to the total number of Professional staff. One delegation indicated that it agreed with the criteria expressed in paragraph 52 of DP/1993/45 on the allocation of posts at the Assistant Secretary-General level to the regional bureaux. Another delegation, however, speaking on behalf of a group of countries, stated that there was no justification for differentiating between regional groups and rejected the criteria applied by the Administrator for the downgrading of the Assistant Secretary-General post in the Regional Bureau for Arab States.

24. A few delegations made observations on the size of the budgetary reductions in Latin America and the Caribbean region. One delegation had some problems understanding why the Bureau for Latin America and the Caribbean had chosen not to reduce the number of international staff in the field. Other delegations stated that the proposed reductions were too large and that, relatively, the region seemed to be most affected.

25. One delegation questioned the procedure regarding the waiver for contributions towards local office costs and requested that the waiver percentage for his country be reviewed. Another delegation requested some additional information.

26. With regard to programme development activities, comments centred on the Administrator's proposals with regard to the establishment of national officer posts in support of sustainable development and HIV/AIDS programmes. Several delegations indicated that the proposal with regard to national officers to support the HIV/AIDS programme would need to be reviewed more carefully in view of the World Health Assembly's request for a study of a joint and co-sponsored United Nations programme on HIV/AIDS. Furthermore, additional information would be required on how the proposed HIV/AIDS network would conform with the WHO Global Programme on HIV/AIDS and the newly formed task force on HIV/AIDS coordination. Some delegations questioned the criteria for the selection of those two priority areas as well as the criteria for the allocation of resources among the various regions. One delegation questioned the extent to which needs at the country level had been taken into account. One delegation stated that a further definition of the criteria for programme support and development activities expenditures was needed. Finally, regarding Capacity 21, one member expressed concern about its funding levels and suggested that it should perhaps be funded from core resources starting with the next phase.

27. A number of delegations supported the introduction of a new appropriation line to reflect the work performed by UNDP field offices in support of United Nations operational activities. A few delegations pointed out that while they agreed with the proposal, the issue should, in the long term, be reviewed, taking into account the future role of UNDP.

28. Delegations endorsed the Administrator's proposal for using savings from the 1992-1993 budget for transitional measures required for the implementation of the 1994-1995 budget strategy.

Response of the Administration

29. The Assistant Administrator thanked delegations for their positive comments and their constructive remarks and suggested that information in response to most of the questions would be best provided at the informal meetings, in particular with regard to clarifications on the proposals on the UNDP field presence in the Commonwealth of Independence States, the Humanitarian Programme and the establishment of national Professional posts to support sustainable development and HIV/AIDS programmes.

30. With regard to further improvements in the budget presentation, the Assistant Administrator agreed to include in future a concise statement of the Programmes's current and projected income. As to expenditure data, the Assistant Administrator referred to the information already contained in table V.1 of document DP/1993/45 on the use of UNDP resources. Adding additional expenditure data would be difficult since at the time of preparing the budget proposals the data was not yet available. The expenditure data, however, were incorporated in other documents and the financial statements.

31. With regard to the Humanitarian Programme, the Assistant Administrator confirmed that the proposed continuation of two project-funded posts at headquarters would be against available SPR resources.

32. With regard to questions on the reductions in posts at the senior management level, the Assistant Administrator stated that management had made the proposals in response to Governing Council decisions and to the overall restructuring initiatives of the Secretary-General.

33. With regard to the number of staff at the Director level and above compared to the total number of Professional staff, the Assistant Administrator indicated that such comparison should also take into account the number of local Professional staff in the field. That yielded a ratio which favourably compared with overall ratios in the United Nations system.

34. With regard to the rationale behind the proposal to downgrade one of the posts at the Assistant Secretary-General level, the Assistant Administrator indicated that the criteria applied related strictly to the size of the programme and number of offices covered by the regional bureau concerned. That was seen as the only viable objective criterion.

35. With regard to the allocation of core resources to offices in the Commonwealth of Independent States, the Assistant Administrator referred to the information contained in the document on estimated costs and sources of

financing. The amount of extrabudgetary resources expected to be generated in a number of countries with relatively higher GNP per capita and lower IPF would result in relatively lower allocation from core resources to cover office costs. As to the possible use of IPF resources for office costs in some countries in 1993, the Assistant Administrator stated that it should be seen against the future mobilization of additional programme resources in the form of co-financing. In response to comments made by one delegation regarding the participation of UNDP in an integrated office in the Russian Federation, the Assistant Administrator noted the possibility of government and extrabudgetary resources being provided.

36. With regard to observations made on the core budget reduction in the Latin America and Caribbean region, the Assistant Administrator stated that the overall budget reductions were based on the principle of burden-sharing while also taking into account relevant Governing Council decisions on the distribution of core budget resources relative to core programme resources, as explained in paragraph 95 of document DP/1993/45. The reductions were in accordance with the budget strategy developed by the Regional Bureau for Latin America and the Caribbean, which placed emphasis on financing office costs through the mobilization of extrabudgetary resources and increased government contributions to local office costs.

37. With regard to waivers applicable to government contribution towards local office costs, the Assistant Administrator referred to the obligation of Governments as set forth in the Standard Basic Agreement. In accordance with the approach adopted by the Governing Council, the GNP per capita parameter used for determining the waiver percentage was the same as that used for Governing Council decisions on the allocation of IPFs.

38. With regard to the national officer posts for support to sustainable development and HIV/AIDS programmes, the Assistant Administrator stated that the proposals had been made in response to Governing Council decisions and concerns expressed in different forums regarding the existing capacities at the field level. The type and distribution of posts did take into account requirements existing at the field level. The Assistant Administrator agreed that close collaboration and coordination with other United Nations specialized agencies was important and was being maintained.